



CRCA's response to the Government's Consultation on Media Ownership

Background

The Commercial Radio Companies Association (CRCA) is the trade body for UK commercial radio. It represents commercial radio to Government, the Radio Authority, copyright societies and other organisations concerned with radio. It manages the Radio Advertising Clearance Centre which clears national and special category advertisements prior to broadcast. CRCA also jointly owns Radio Joint Audience Research Ltd (RAJAR) with the BBC and was instrumental in the formation of the new Digital Radio Development Bureau, a company owned by UK digital radio multiplex owners.

CRCA members include national, as well as most local and regional stations. They account for almost 50 per cent of all the radio listening in the UK and just under 80 per cent of local listening in the UK. As well as promoting the importance of commercial radio, the CRCA plays an active role in promoting conditions that will enable it to thrive into the future. Its members believe that lighter ownership regulation is vital.

Executive Summary

- CRCA's proposals will encourage a dynamic market whilst at the same time guaranteeing plurality, diversity and quality for the consumer.
- CRCA supports the following changes to ownership legislation:
 - (i) the abolition of the current UK-wide radio ownership points system (which currently limits the number of different local stations which one company can own across the UK;
 - (ii) its replacement by conventional competition law;
 - (iii) the application of conventional competition law to ownership of national radio stations.
- The way to “deregulate further” the local ownership scheme CRCA agreed with the Radio Authority would be to raise above 50% the percentage of points within a market which one operator could own, so that there would be a minimum of two commercial operators in addition to the local BBC service within a local marketplace.
- CRCA recommends that analogue local ownership rules be applied to ownership of local digital radio services, until such time as there are more than two local multiplexes in an area, in which case conventional competition law should apply.
- We share the consultation paper's fear that proposals for a moratorium post new licence award would be uncertain in their outcome. They should be avoided.
- As far as foreign ownership of UK media companies is concerned, we believe that reciprocity is the key.
- Some kind of cross-media measurement is vital if progress is to be made. We favour allowing increased opportunity for strong cross-media holdings in the commercial broadcasting sector via a sliding scale (as outlined in paragraph 6.5.11 of the consultation paper), although not necessarily within the values expressed.

Introduction

1. CRCA congratulates the DCMS and the DTI on a clear and straightforward paper in pursuit of the best media ownership rules for the UK.

Content regulation

2. CRCA firmly supports the concepts of plurality and diversity and the need for ownership rules. We believe that the ownership and other de-regulation of our industry that occurred in the 1990 Broadcasting Act was good for us. It enabled us to have national, and many more regional and local stations; it created strong radio groupings; and it encouraged us to take responsibility for our own future. We believe that further de-regulation, most importantly in ownership, will help us still further. We are **not** saying, as the consultation paper implied, that total de-regulation of the market is the best way to ensure true diversity. We seek looser ownership restrictions but have always made it clear that we believe these should be accompanied by the maintenance of positive content regulation. This remains our view.

Plurality and diversity

3. We understand the tension that exists between the concepts of plurality on the one hand and diversity on the other. It is a question of balance. The system originally recommended by ourselves and the Radio Authority acknowledged the desire we share with Government to maintain plurality while at the same time giving sufficient freedom to allow single ownership of services where appropriate in order to ensure diversity of content. This is not a compromise but rather an improved approach to regulation that will be better for listeners and for radio companies. We believe the modified recommendation outlined later in this paper will encourage a dynamic market whilst at the same time guaranteeing plurality, diversity and quality for the consumer thus fulfilling the Government's task outlined in paragraph 1.11 of the consultation.

Religious Ownership

4. CRCA is glad that the Government has accepted that the disqualification of religious organizations from the ownership of local digital radio services is an anomaly which it proposes to remove in new communications legislation.

Foreign Ownership of UK Media Companies

5. As far as foreign ownership of UK media companies is concerned, we believe that reciprocity is the key. This should apply to both analogue and, unlike today, digital services. We recommend that OFCOM should be responsible for devising and updating a mechanism which enables reciprocal ownership arrangements with foreign countries, breaking down international growth barriers for UK companies.

Radio Ownership – General Principles

6. CRCA has long argued that current radio ownership rules restrict consumer choice and industry development by limiting too severely the number of services which an operator can own in a locality. We are therefore encouraged by the consultation paper's suggestion that ownership deregulation is anticipated and, in particular, that CRCA's co-operation with the Radio Authority has been a helpful initiative.
7. We are concerned that the paper suggests (paragraph 6.3.8) that consolidation of ownership in local markets might lead to loss of local content and identity. We suggest that the strength of local radio competition (the battle to be the most locally relevant to the audience) will prevent this happening and that, in fact, the reverse is true: greater resource will flow into local programmes from greater economic strength.
8. Whilst we wish Access Radio well, we do not accept that local commercial radio consolidation is the justification for its creation. Indeed, we have always understood that Access Radio is intended to have quite different social and community objectives to those met by commercial radio. Nevertheless, we accept that Access radio stations will have their place in the plurality of opinion and influence in any local market they inhabit and should thus be accorded points values within the system proposed by ourselves and the Radio Authority.

Radio Ownership – Specific Recommendations

9. CRCA continues to support the following changes to ownership legislation as previously agreed with the Radio Authority:
 - (i) the abolition of the current UK-wide radio ownership points system (which currently limits the number of different local stations which one company can own across the UK¹);
 - (ii) its replacement by conventional competition law;
 - (iii) the application of conventional competition law to ownership of national radio stations².
10. We have noted that the consultation paper states that the Government is "attracted to" the proposal which we made, in conjunction with the Radio Authority, for a 'new points system' for local radio ownership. However, the further comment that the Government "could deregulate further" has prompted us to revisit this scheme.

After lengthy consideration, we remain fundamentally supportive of the joint RA/CRCA proposal as a transparent, relatively simple scheme which nevertheless reflects the subtleties of our industry and which ensures plurality.

¹ For example, GWR plc is currently prohibited from owning any more local radio stations in the UK, even though it has no local stations in Scotland, Northern Ireland, Liverpool, Newcastle, Birmingham or Manchester.

² For example, under current rules, Scottish Media Group, which owns Virgin 1215AM, could not also own Classic FM.

The way to “deregulate further” would be **to raise above 50% the percentage of points within a market which one operator could own, so that there would be a minimum of two commercial operators in addition to the local BBC service within a local marketplace.**

Radio Ownership – Digital Radio

11. We are encouraged that, in the matter of ownership of digital services, the Government is minded to be “as liberal and transparent as possible” (6.3.11). The number of stations in the digital world will far outstrip those available via analogue transmission. Already there are more digital radio services in London than analogue, and in time, it is expected that most areas will have access to around 40 digital radio services, around half of which would be local.

We recognise that local broadcasting ownership rules are necessary to ensure plurality of influence in an analogue world, where available spectrum and technology significantly limit the number of stations. However, we suggest these rules are likely to be far less important or relevant in the digital world where there are more stations and access is easier.

CRCA recommends that analogue local ownership rules be applied to ownership of local digital radio services, until such time as there are more than two local multiplexes in an area, in which case conventional competition law should apply.

12. The ‘gate-keeper’ role of the multiplex owner is distinct from that of digital radio service providers, and commercial radio believes that, where local multiplexes overlap, there should be at least two owners in each marketplace.

Onward Sale of Radio Licences

13. We share the consultation paper's fear that proposals for a moratorium post new licence award would be uncertain in their outcome. Provided the purpose of the licence is maintained (via content regulation - of which we are in favour), we do not think the early sale of a new licence presents a major problem for the consumer. Indeed, we recognise the dangers of moratoria, particularly in light of the examples of station shut-downs in France following the implementation of similar rules to those being proposed.

Cross Media Ownership

14. Our members’ experience of operating in local markets has provided many good examples in local commercial radio of relationships between local press and radio that benefit the consumer and do not disadvantage local advertisers. We hope the Government will take these examples into account when deciding on whether and how to reduce rules that currently apply to local press.
15. If there are truly aspirations in Government for the creation of a strong UK based commercial broadcasting sector and genuine commercial competition at all levels

for the publicly funded broadcaster, then cross-media ownership must be relaxed if a commercially-funded company or companies is/are to compete effectively with the BBC.

16. In our view, some kind of cross-media measurement is vital if progress is to be made. Our favoured way of allowing increased opportunity for strong cross-media holdings in the commercial broadcasting sector is via a sliding scale (as outlined in paragraph 6.5.11 of the consultation paper), although not necessarily within the values expressed.
17. However, the question remains of who should exercise and apply the methodology. We think it would be a retrograde step to seek to draw the UK press under the aegis of OFCOM. Therefore, we recommend that, while OFCOM should be entrusted with publishing and reviewing the sliding-scale, its application should be left to the competition authorities.

Review of Ownership Rules

18. We are attracted to the paper's suggestion that, given the fluidity of media markets, regular reviews of ownership rules are desirable. However, if these reviews are to be of real value, they must be fully researched and consulted upon. Furthermore, it is important that the impacts of ownership rules are fully understood by both industries and regulators before changes are made. We therefore suggest that these reviews should be conducted every three, rather than two years.

19. We believe it would be most appropriate for ownership rules to be reviewed, with a view to what further deregulation might be possible, rather than simply to re-apply existing rules. This would allow for both subtle and more radical deregulation as required by changing circumstances. We recommend that OFCOM should make recommendations, with final decisions taken by Government Ministers.

CRCA
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